

HOLYOKE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

**INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY OFFICE OF MANAGEMENT AND BUDGET (OMB)
CIRCULAR A-133 AND *GOVERNMENT AUDITING
STANDARDS* AND RELATED INFORMATION**

JUNE 30, 2013

**O'Connor
& Drew P.C.**
Certified Public Accountants

HOLYOKE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

**Independent Auditors' Reports as Required by Office of Management and
Budget (OMB) Circular A-133 and *Government Auditing Standards* and
Related Information**

June 30, 2013

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

To the Board of Trustees of
Holyoke Community College
Holyoke, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Holyoke Community College's (an agency of the Commonwealth of Massachusetts) (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major Federal programs for the year ended June 30, 2013. The College's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2013-1 and 2013-2. Our opinion on each major Federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items Finding 2013-1 and 2013-2, that we consider to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College as of and for the year ended June 30, 2013, and have issued our report thereon dated October 10, 2013 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization* and not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

O'Connor and Drew, P.C.

Certified Public Accountants

Braintree, Massachusetts

February 24, 2014

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 1, 2013)



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Holyoke Community College
Holyoke, Massachusetts

We have audited the financial statements of Holyoke Community College (an agency of the Commonwealth of Massachusetts) (the "College") as of and for the year ended June 30, 2013, and have issued our report thereon dated October 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, Audit Committee, management of Holyoke Community College, the Commonwealth of Massachusetts and pass through agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 1, 2013

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs

June 30, 2013

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Award

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance For major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2013

Major programs of Holyoke Community College include:

<u>Program Title</u>	<u>CFDA Number</u>
Student Financial Assistance Cluster:	
Federal Supplemental Education Opportunity Grant Program	84.007
Federal Work Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 2)	84.268
TRIO Cluster	
Student Support Services	84.042
Upward Bound	84.047
Higher Education-Institutional Aid	84.031
Career and Technical Education - Basic Grants to States	84.048

The dollar threshold to distinguish between Type A and Type B programs is \$300,000.

The Office of Management and Budget (OMB) has minimum requirements for a recipient of Federal funds to be considered a low-risk auditee. The College does not qualify as a low-risk auditee because the College's Schedule of Federal Expenditures of Federal Awards has not been subjected to the Single Audit in the prior two years.

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2013

Finding number: 2013-1
Federal agency: U.S. Department of Education
Program: Federal Work-Study Program
CFDA #: 84.033
Award year: 2013

Condition

We reviewed timesheets from the College's payroll for a sample of students. Our review indicated one instance of noncompliance with Federal Work-Study (FWS) regulations. The student's timesheet contained hours worked that conflicted with the student's class schedule. No notations were found on the timesheets to indicate released time or class cancellations.

Criteria

34 CFR Sections 668.16(c)(1) and (2), states:

- (1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and
- (2) Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, as defined in Sec. 668.15, or who do not together exercise substantial control.

34 CFR Section 675.19(a), states, in part:

The institution must also establish and maintain program and fiscal records that; (i) include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (ii) include a payroll voucher containing sufficient information to support all payroll disbursements; (iii) include a noncash contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment (see Sec. 675.27(a)); and (iv) are reconciled at least monthly (34 CFR 675.19 (b)(2)).

HOLYOKE COMMUNITY COLLEGE
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Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2013

Cause/Effect

The student's work schedule conflicted with the student's class schedule due to an oversight by the responsible supervisor of the internal control procedure designed to detect this particular type of scheduling conflict. As a result of this scheduling conflict, the student did not attend class or was not present at work during the documented time periods.

Recommendation

We recommend that management of the College review the policies and procedures to ensure that there are no conflicts between class and work study time and reinforce the established policy with those in charge or monitoring the students' FWS time.

Questioned Costs

None

Views of Responsible Officials

The College has taken appropriate corrective action with the specific supervisor. In addition, that area of the College is no longer allocated a work study position. Management notifies supervisors of the necessity to ensure that students' class schedules and work schedules do not conflict. Submitted and approved time slips are compared to students' schedules to ensure that any conflicts are documented and reasonable.

Contact Person

NAME: John E. O'Rourke III
TITLE: Comptroller

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2013

Finding number: 2013-2
Federal agency: U.S. Department of Education
Programs: Federal Supplemental Education Opportunity Grant Program,
Federal Pell Grant Program
CFDA #'s: 84.007, 84.063
Award year: 2013

Condition

The College uses several different worksheets to assist in the calculation of institutional charges for the purposes of returning unearned aid. For three of the 40 students tested, the College used the regional tuition rates under the New England Board of Higher Education compact instead of the correct in-state student rates. This higher tuition rate caused the school to return more federal funds than was required by the calculation.

Criteria

According to 34 CFR 668.22(g), the College is responsible for calculating the return of unearned aid as the lesser of:

- 1) The amount of earned Title IV grant or loan assistance by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the period of enrollment as of the student's withdrawal date; or
- 2) An amount equal to the total institutional charges incurred by the student for the period of enrollment multiplied by the percentage of title IV grant or loan assistance that has not been earned by the student.

For purposes of this section, "institutional charges" are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution.

Cause/Effect

Management did not ensure that the regulations were met in regards to refund of Title IV funds.

Recommendation

We recommend that the College monitor the return process to ensure that Title IV funds are being calculated appropriately for all students.

HOLYOKE COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2013

Questioned Costs

\$197

Views of Responsible Officials

A review of the three records in the audit finding revealed that the College inadvertently used the compact tuition and fees spreadsheet instead of the in-state tuition and fees spreadsheet when performing the Return of Title IV Aid (the "R2T4") calculations. The College believes that this occurred because the College mistakenly photocopied the compact tuition and fee spreadsheet. This error resulted in an inflated "Total Institutional Charges" amount being used in the R2T4 calculations. (The compact tuition rate is \$12 per credit higher than the in-state rate.) The errors were made on 12/7/12 and 12/10/12.

When the College became aware of this issue, the College re-calculated the R2T4 adjustments for the three students. In all three cases the inflated "Total Institutional Charges" resulted in more Federal Pell Grant funds being returned by the College than actually required. To make up for this, the College applied institutional funds to each student's account in the amount of excess Federal Pell Grant funds that were returned.

The College took further action by reviewing all R2T4 calculations that were performed during the 2012-13 award year to check for any additional files that may have had the same error. During this review the College discovered four more cases that had the incorrect tuition and fees amount used in the calculation. This was also a result of using the compact tuition and fee spreadsheet rather than the in-state tuition and fee spreadsheet. As with the other three students, the errors occurred on 12/7/12 and 12/10/12. The College re-calculated the R2T4 adjustments for these four students and, as with the other cases, the inflated "Total Institutional Charges" resulted in more federal funds being returned by the College than actually required. To make up for this, the College applied institutional funds to each student's account in the amount of excess federal funds that were returned.

The College's review of the 2012-13 R2T4 calculations also revealed three additional files from the same time period (12/7/12 and 12/10/12) that contained the incorrect tuition and fee spreadsheet; however, in these three cases the institutional charges were irrelevant because they were post-withdrawal offers.

HOLYOKE COMMUNITY COLLEGE
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Schedule of Current Year Findings and Questioned Costs - Continued

June 30, 2013

In total, 973 R2T4 calculations were performed during the 2012-13 award year. Seven of them had the incorrect amount for institutional charges which resulted in the College returning \$423 more in federal funds than was actually required.

As a result of this finding, the College has implemented the following changes to the R2T4 procedures:

1. When performing the adjustments, verify that the calculated tuition and fee amount is correct by comparing it to student billing screens in our Banner software system.
2. The College has implemented an internal audit process to check the R2T4 calculations for accuracy throughout the semester.

Contact Person

NAME: John E. O'Rourke III
TITLE: Comptroller

HOLYOKE COMMUNITY COLLEGE
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Schedule of Prior Year Findings and Questioned Costs

June 30, 2013

Finding number: 2012-1
Federal agency: U.S. Department of Education
Programs: Federal Work Study Program
CFDA #'s: 84.033
Award year: 2012

Condition

The Commonwealth of Massachusetts mandates that all College employees be paid through the state payroll system. The state payroll runs Sunday to Saturday, and all payroll information must be entered into the state payroll system by the following Monday. Of the sample of thirty-five work study students tested in the previous year, eight students' timesheets were signed off by the student and the student's supervisor prior to the last day of the work week.

Auditor's Current Year Comment

The finding has been corrected during award year 2013.

Finding number: 2012-2
Federal agency: U.S. Department of Education
Program: Federal Work-Study Program
CFDA #: 84.033
Award year: 2012

Condition

We reviewed timesheets from the College's payroll for a sample of students. Our review indicated six instances of noncompliance with Federal Work-Study (FWS) regulations. The students' timesheets contained hours worked that conflicted with the students' class schedules. No notations were found on the timesheets to indicate released time or class cancellations.

Auditor's Current Year Comment

Although the college did incorporate the corrective action plan noted in the prior year's report, we did discover one exception as noted in finding 2013-1.

HOLYOKE COMMUNITY COLLEGE
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Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Student Financial Assistance Cluster:</u>		
<i>U.S. Department of Education:</i>		
Federal Supplemental Educational Opportunity Grants	84.007	\$175,786
Federal Work-Study Program	84.033	184,866
Federal Pell Grant Program	84.063	13,423,772
Federal Direct Student Loans	84.268	<u>9,089,776</u>
Total Student Financial Assistance Cluster		<u>22,874,200</u>
<u>TRIO Cluster</u>		
<i>U.S. Department of Education:</i>		
TRIO - Student Support Services	84.042	336,130
TRIO - Upward Bound	84.047	<u>8,108</u>
Total Trio Cluster		<u>344,238</u>
<u>Non-Cluster</u>		
<i>U.S. Department of Housing and Urban Development:</i>		
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	<u>35,127</u>
<i>U.S. Department of Labor:</i>		
Community Based Job Training Grants	17.269	14,629
Passed Through Quinsigamond Community College:		
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	<u>288,230</u>
Total U.S. Department of Labor		<u>302,859</u>
<i>U.S. Department of Transportation:</i>		
Job Access, Reverse Commute	20.516	<u>6,963</u>
<i>National Science Foundation:</i>		
Education and Human Resources	47.076	<u>43,941</u>

The accompanying notes are an integral part of this schedule.

HOLYOKE COMMUNITY COLLEGE
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Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
<i>U.S. Department of Education:</i>		
Higher Education-Institutional Aid	84.031	\$ 402,267
Passed Through Commonwealth of Massachusetts, Department of Elementary and Secondary Education:		
Adult Education - Basic Grants to States	84.002	230,134
Career and Technical Education - Basic Grants to States	84.048	359,631
Twenty-First Century Community Learning Centers	84.287	75,277
Passed Through Commonwealth of Massachusetts, Department of Education and Care		
Race to the Top- Family Literacy	84.412	<u>2,047</u>
Total U.S. Department of Education		<u>1,069,356</u>
Total Expenditures of Federal Awards		<u>\$ 24,676,684</u>

HOLYOKE COMMUNITY COLLEGE
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Notes to the Schedule of Expenditures of Federal Awards

June 30, 2013

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activities of Holyoke Community College (the "College") (an agency of the Commonwealth of Massachusetts) and is presented on the accrual basis of accounting.

For purposes of the Schedule, Federal awards include all grants, contracts, and similar agreements entered into directly between the College, agencies, departments of the Federal government, and all subawards to the College by nonfederal organizations pursuant to Federal grants, contracts, and similar agreements.

Note 2 - **Federal Direct Student Loans Program**

The College disbursed \$9,089,776 of loans under the Federal Direct Student Loans program which includes Stafford Subsidized and Unsubsidized Loans and Parents' Loans. It is not practical to determine the balances of loans outstanding to students of the College under this program as of June 30, 2013. The College is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the College's financial statements.

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